2014 Mid Year Presentation

July 23rd 2014

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*Final Jul 2014 Commercial in confidence

TechnologyOneCorp.com

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Transforming business, making life simple

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Technology One Ltd Mid Year Presentation - 23 July 2014

Technology One Ltd (ASX:TNE) today conducted presentations with Merrill Lynch Australia in Sydney.

Attached is the presentation by the company's Executive Chairman, Mr Adrian Di Marco.

These slides have been lodged with the ASX and are also available on the company's web site: www.TechnologyOneCorp.com.

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Agenda

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- 2014 Half Year Results Recap
- Outlook for Full Year
- Long Term Outlook
- Company Update

Appendix

- 2014 Half Year Results Detail
- Technology One Overview

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Results Summary

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	FY14	FY13	Variance %
Revenue	**$87.6 m**	**$79.7 m**	**10%**
Initial Licence Fees	$20.9 m	$16.9 m	24%
Consulting Fees	$23.2m	$22.2m	4%
Annual Licence Fees	$33.8 m	$29.9 m	13%
Expenses	**$74.8 m**	**$68.9 m**	**9%**
R&D Expenses *	$18.3m	$17.2m	6%
Expenses excl R&D	$56.5m	$51.7m	9%
Profit			
Profit Before Tax	**$12.8 m**	**$10.9 m**	**17%**
Profit After Tax	$9.9 m	$8.7 m	14%
Other			
Operating Cash Flow	**$1.9 m**	**$11.1 m**	**(83%)**
Cash and Cash Equivalents	$54.0 m	$50.3 m	7%
Profit Before Tax Margin	15%	14%	

*** 21% of revenue v 22% last year**

Half year results can not be extrapolated to determine full year results

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Results Highlights

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- Positions us to deliver continuing growth in both revenue and profit for the full year
- Continued significant investments in a number of key areas as follows:
  - R&D into TechnologyOne Cloud
  - R&D into Ci² - Next generation of our Ci suite
  - Preconfigured solutions
  - United Kingdom
- All costs associated with these investments fully expensed as incurred
- These investments will drive growth in future years – discussed later

Highlights

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Outlook for the full year remains unchanged

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Outlook for Full Year

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- Economic environment remains challenging and uncertain
- Strong committed annual licence fees in the second half
- TechnologyOne enterprise business remains resilient
- Good pipeline of opportunities in second half
- **We expect profit growth of 10% to 15% for the full year**

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Assumptions

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- The current pipeline remains strong
- Operating expenses up 5%
- R&D expense growth of 6% for the full year
  - TechnologyOne Ci Anywhere
  - TechnologyOne Cloud
  - Round off existing products – ECM, HR & Payroll, Asset Management
- Plus revenue will be approx $1m less than the prior year
- United Kingdom – market remains challenging
  - UK full year loss of $800k (vs $1m loss last year)

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Long Term Outlook

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Long Term Outlook remains unchanged

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Net Profit Margin Before Tax

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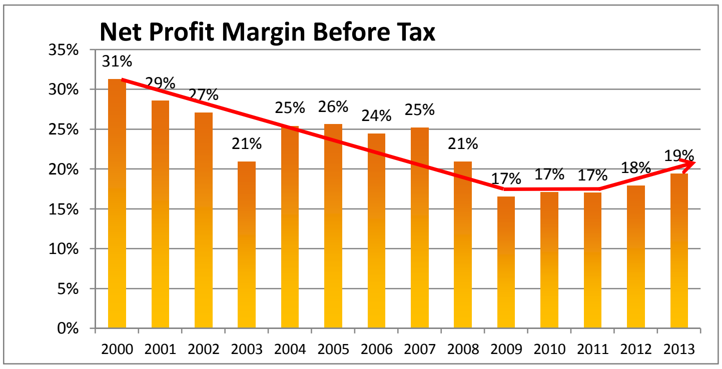
- Focus is to substantially improve margins over next five years
- Controlled R&D growth is the key to achieve this
- Profit margin now started to improve, as predicted



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R&D Growth Projections

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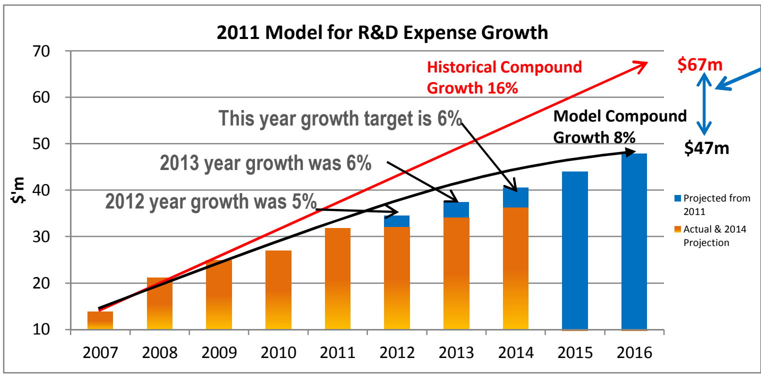
Target for R&D growth of 8% per annum compound, over 5 years set in 2011

- In 2012 year we demonstrated this was achievable with R&D growth of 5%
- In 2013 year we demonstrated this was achievable with R&D growth of 6%
- Continues to be a very aggressive R&D program
- Operating leverage & economy of scale
- Assumes no Acquisitions in next 5 years, and continuing growth in revenue



2011 Model, shows savings of $20m/year in year 5 (2016)

In year 5, R&D will be 18.5% of revenue (vs 20% now)

In year 10, target for R&D is 15% of revenue

Still well above Industry Average of 10% to 12%

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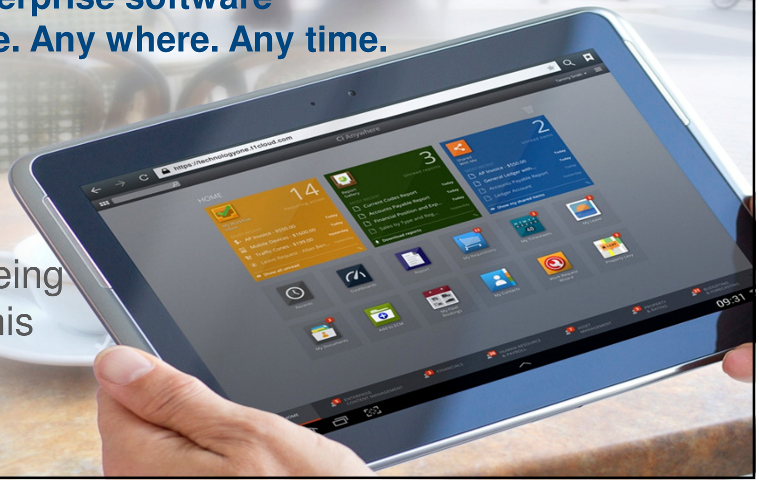
Ci Anywhere

Enterprise software
Any device. Any where. Any time.

- ✓ Early adopters in progress
- ✓ Feedback very positive
- ✓ Strategy and Roadmaps being developed for Stage 2 of this exciting project



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TechnologyOne Cloud

- ✓ Early adopters program finished
  - 10+ customers now live
- ✓ TechnologyOne Cloud 3.0 released
  - Improved scalability, elasticity & efficiency
- ✓ Strategy being developed to accelerate this business
  - New 'SAAS' prospects
  - New 'on premise' prospects
  - Existing 'on premise' customers
  - Manage the transition of our business model to the Cloud

TechnologyOne's Journey to The Cloud

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TechnologyOne's Journey to the Cloud ...

- Email done
- Corporate Accounting done
- R&D in the Cloud done
- Documents & Files in the Cloud done
- Demonstrations via the Cloud done
- Consulting in the Cloud Dec 2014

Expected cost savings of $1.5m in 2013/2014 year

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Other Initiatives

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- Sales reorganization – progressing
  - New Operating Officer for sales & marketing ANZ
- UK reorganization – progressing
  - Relocated Operating Officer from Australia to the UK

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Expenses up 9%

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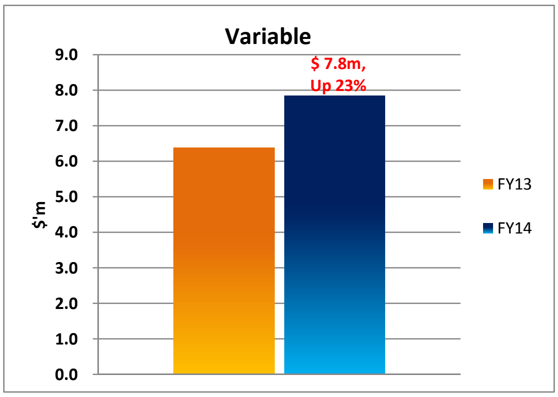

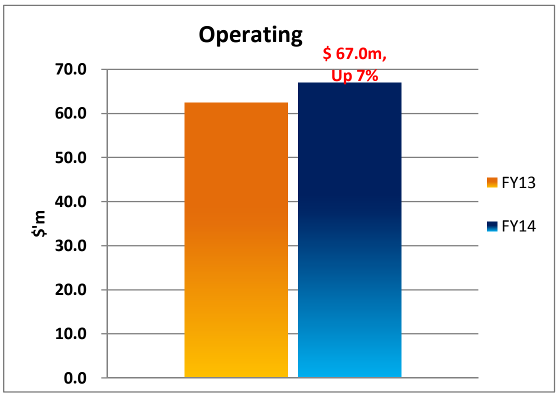

Variable costs[1] up 23% (vs L/Fees up 24%)

- Cloud costs associated with TechOne Cloud (up 100+%)
- Commissions , third party costs etc associated with increased Licence fees (up 24%)

Operating costs up 7%

- Evolve costs $600k
- Onerous Contract provision for office accommodation sublease - $820k accounted for 3 year rent shortfall
- Excluding these costs, operating costs are up 5%

[1]Costs directly associated with revenue growth

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Results Highlights

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  - R&D into Ci² - Next generation of our Ci suite
  - Preconfigured solutions
  - United Kingdom
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- These investments will drive growth in future years – discussed later

Highlights

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Balance Sheet

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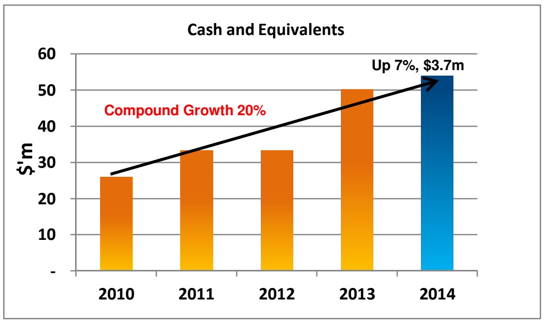
Strong balance sheet

- Cash & Cash Equivalents $54.0m (vs. $50.3m)
- Net Cash*: 16.09c/s (vs. 14.00c/s)
- Debt/Equity: 5.16% (vs. 8.77%)
- Net Assets: $86.9m (vs. $72.4m)
- Interest Cover: 96 times



	Mar-14 $'000	Mar-13 $'000	Var $'000	%
Cash & Available-for-sale financial assets	53,997	50,251	3,746	7%
Trade and other receivables	31,899	22,060	9,839	45%
Other current assets	12,454	7,496	4,958	66%
Current assets	**98,350**	**79,807**	**18,543**	**23%**
Property, plant and equipment	10,160	13,542	(3,382)	(25%)
Intangible assets	15,811	16,064	(253)	(2%)
Other non-current assets	4,236	4,831	(595)	(12%)
Non-current assets	**30,207**	**34,437**	**(4,230)**	**(12%)**
Total Assets	**128,557**	**114,244**	**14,313**	**13%**
Trade and other payables	16,067	14,615	1,452	10%
Provisions	10,848	9,684	1,164	12%
Unearned revenue	7,603	7,317	286	4%
Borrowings	4,486	6,355	(1,869)	(29%)
Other liabilities	2,650	3,849	(1,199)	(31%)
Total Liabilities	**41,654**	**41,820**	**(166)**	**(0%)**
Net Assets	**86,903**	**72,424**	**14,479**	**20%**
Issues Capital and Reserves	38,929	34,791	4,138	12%
Retained earnings	47,974	37,633	10,341	27%
Equity	**86,903**	**72,424**	**14,479**	**20%**

*after debt per share

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Cash Flow

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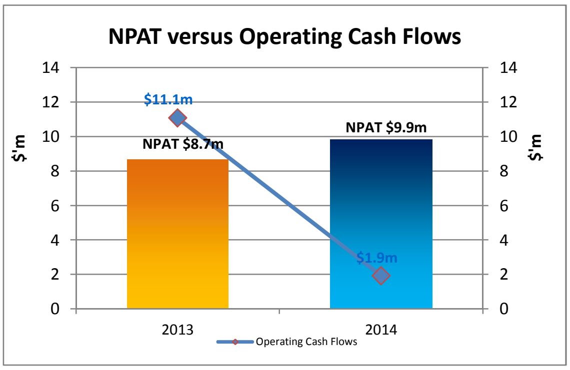
Operating Cash Flow $1.9m, down 83% from $11.1m Mar13*

Operating Cash Flow $1.9m (vs NPAT of $9.9m)



	Mar-14 $ '000	Mar-13 $ '000	Var	%
EBIT	12,015	10,205	1,810	18%
Depreciation & Amortisation	2,394	2,858	(464)	(16%)
Change in working Capital				
(Increase) / Decrease in Debtors	(2,898)	2,596	(5,494)	(212%)
Increase / (Decrease) in Creditors	(3,570)	(1,894)	(1,676)	88%
Increase / (Decrease) in Staff Entitlements	(493)	(190)	(303)	159%
Net Interest Paid	739	523	216	41%
Income Taxes paid	(7,419)	(3,122)	(4,297)	138%
Other	1,158	106	1,052	992%
Operating Cash Flow	**1,927**	**11,081**	**(9,154)**	**(83%)**
Capital Expenditure	(879)	(855)	(24)	3%
Proceeds from Sale of PP&E and Investments	0	1,200	(1,200)	(100%)
Free Cash Flow	1,048	11,427	(10,379)	(91%)
Dividends Paid	(11,781)	(10,670)	(1,111)	10%
Repayment of finance lease	(855)	(956)	101	(11%)
Proceeds from leasing of PPE	0	0	0	0%
Proceeds from Shares issued	187	462	(275)	(60%)
Increase in Cash & Cash equivalents	**(11,400)**	**262**	**(11,662)**	**(4451%)**

* Significant billings in last 2 months of the quarter, to be collect early in Q3

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Results Analysis

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Half Year 2014 v Half Year 2013	FY14 $'000	FY13 $'000	Variance $'000	%
Revenue excl interest	**86,712**	**78,869**	**7,843**	**10%**
Expenses (excl R&D, interest, Depn & Amortisation)	53,986	48,588	5,388	11%
EBITDAR	**32,726**	**30,281**	**2,455**	**8%**
R&D Expenditure	18,318	17,217	1,111	6%
EBITDA	**14,408**	**13,064**	**1,344**	**10%**
Depreciation	2,267	2,731	(464)	(17%)
Amortisation of Intangibles	127	127	-	-
EBIT	**12,014**	**10,206**	**1,808**	**18%**
Net Interest Income	740	662	78	12%
Profit Before Tax	**12,754**	**10,868**	**1,886**	**17%**
Profit After Tax	**9,854**	**8,673**	**1,181**	**14%**

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Results – Key Metrics

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Half Year 2014 v Half Year 2013	FY14	FY13	Variance %
EPS (cents)	**3.20**	**2.84**	**13%**
Dividends (cents)			
Standard	1.95	1.77	10%
Special	-	-	-
Dividend Payout Ratio	62%	63%	
Key Margin Analysis			
EBITDAR Margin	37%	38%	
EBITDA Margin	17%	17%	
Net Profit Before Tax Margin	15%	14%	
Net Profit After Tax Margin	11%	11%	

Half Year 2014 v Half Year 2013	FY14	FY13	Variance %
ROE			
Return on equity[1]	11%	12%	
Adjusted return on equity[2 3]	21%	23%	
Balance Sheet ($ '000s)			
Net Assets	86,903	72,424	20%
Cash & Cash Equivalents	53,997	50,251	7%
Operating cash flows	**1,927**	**11,081**	**(83%)**
Debt/Equity	5%	9%	
R&D as % of Total Revenue	**21%**	**22%**	

[1]ROE full year expected to be 30+%
[2]Adjusted for net cash above required working capital, which was assumed at $10m
[3]Adjusted ROE full year expected to be 70+%

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Profit By Segment Analysis

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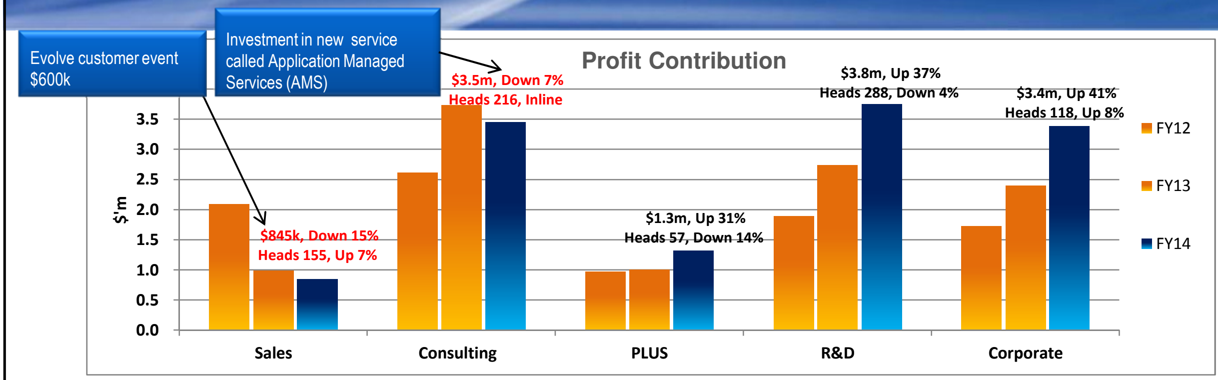

▪ **Net Profit Before Tax $12.8m, up 17%**	**(up $1.9m)**
▪ Sales $845k, down 15%	(down $146k)
▪ Consulting $3.5m, down 7%	(down $279k)
▪ PLUS $1.3m, up 31%	(up $312k)
▪ R&D $3.8m, up 37%	(up $1.0m)
▪ Corporate $3.4m, up 41%	(up $987k)

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Dividend

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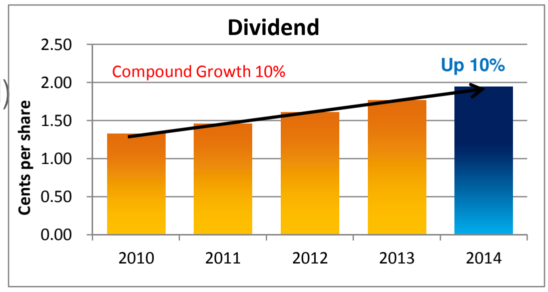
Dividends for this half year

- Half 1 1.95 cps up 10%* (declared, 100% franked)
- Payout ratio of 62%

*Indicative of our confidence for the full year outlook



Notes

- We have continuously paid a dividend since 1996 (through Dot-Com and GFC)
- Previously we expected the dividend to be 85% franked over the full year. We now expect it to be 100% franked over the full year.
- The Board considers the payment of a Special Dividend at the end of each year taking into consideration franking credits and other factors
- The Board also considers other Capital Management initiatives

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Revenue Streams

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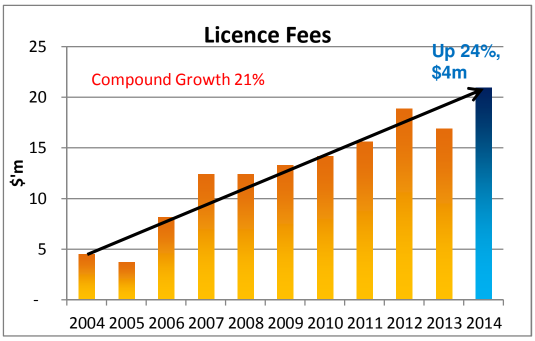

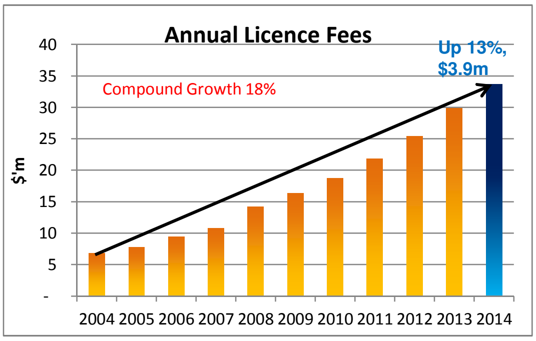

Licence fees up 24%

- Strong indicator of the success of our products
- A number of large contracts closed earlier than expected
- Half year can not be simply extrapolated, for the full year
- Pipeline for second half is also good
- ➢ Continued growth in Licences expected in full year

Annual licence fees continue to grow strongly: up 13%

- Compound growth over the last 10 years is 18%
- Customer retention is important
- Our investment in Compelling Customer Experience program and Ci² is critical for the future

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Major New Customers

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Able Australia Services	Maritime Mining Power Credit Union Ltd
Auckland University of Technology	Migrant Resource Centre (Southern Tas) Inc
Bendigo & Adelaide Bank	Metro South Medicare Local Ltd
Banco Central De Timor-Leste	National Home Doctor Service
Bland Shire Council	Network Waitaki Limited
Central Bank of Belize	OneCare Limited
Central Bank of Solomon Islands	Pepper Finance Ireland
Central Bank of South Pacific	Perth Home Care Services
Dept of Racing, Gaming & Liquor (WA)	Places Victoria
Destination Resorts & Hotel	Secretariat of the Pacific Regional Environment Programme
Edinburgh Leisure	Silver Chef Rentals Incorporated
Office of Environmental Protection Authority (WA)	The East Riding of Yorkshire Council
Royal Freemasons Benevolent Institution	Teachers Mutual Bank
Fremantle Medicare Local	Transport for NSW
Geoscience Australia	Victorian Institute of Teaching
Imaging Partners Online Limited	

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Revenue Streams

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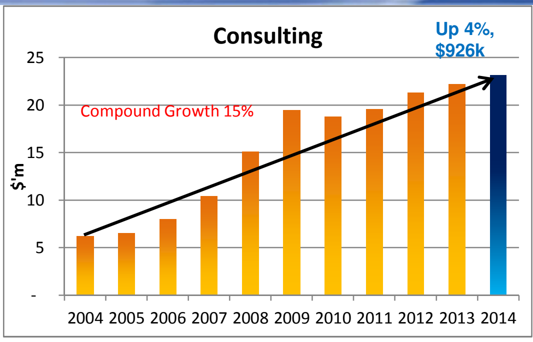
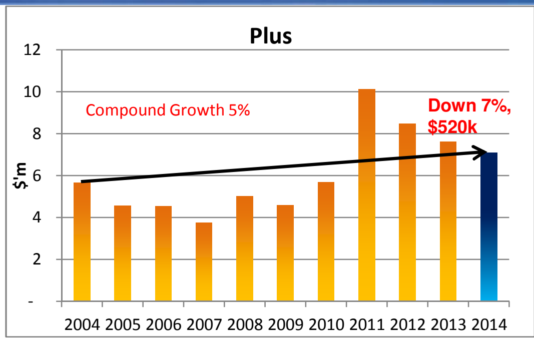


Product Consulting revenue up 4%

- Consulting profit down $279k, 7% on prior year
- ➢ Investment in new resources to support new revenue streams (Application Managed Services)
- Compound growth over the last 10 years is 15%



Plus (non product consulting) revenue down 7%

- ➢ Plus profit is up $312k, 31% on prior year
- Better utilization rates
- Market conditions for non Ci product services challenging
- Strategy to move this business to 'value added' services around our Ci products

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Licence Fee Contribution - Vertical Market

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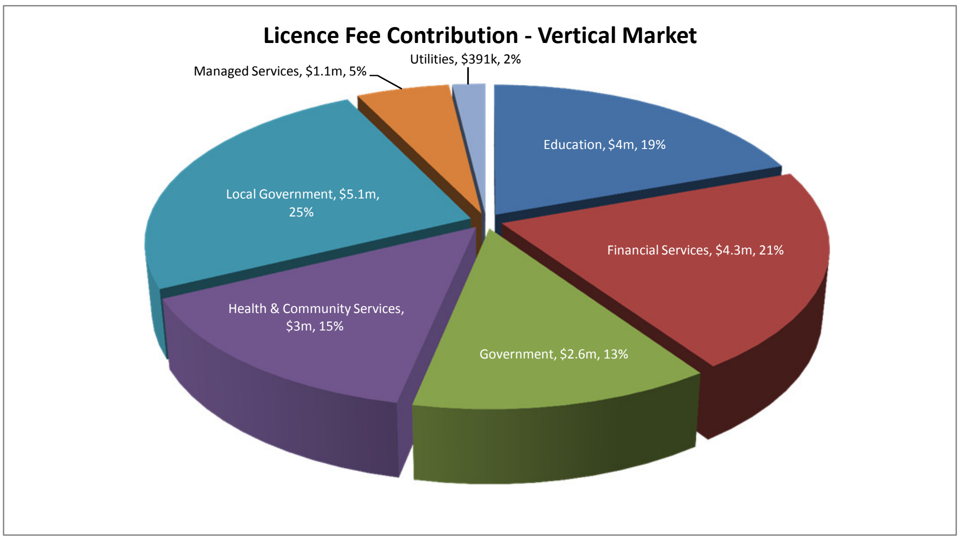

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TechnologyOne Overview

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Formed in **1987**

Employees **900+**

300+ developers in **R&D** centre

1000+ corporations, government and statutory authorities

Revenue **$180+m**

One of Australia's most successful software companies

Continually **profitable** since 1992

Doubles in size Every 4 years

Invest **20%** of revenue back into **R&D**

14 international offices in Australia | New Zealand South Pacific | Asia United Kingdom

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1000+ high profile customers

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TechnologyOne Overview

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Financially very strong[1] ....

- Cash and Equivalents $65.4m
- Adjusted Return on Equity[2] 70+%
- Debt/Equity 6%
- Interest Cover 96
- Continually paid dividends since 1996 (18 years)
- Continually profitable since 1992 (22 years)

[1]as at 30th Sept 2013 [2]Adjusted for net cash above required working capital, which was assumed at $10m

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The Competitive Landscape

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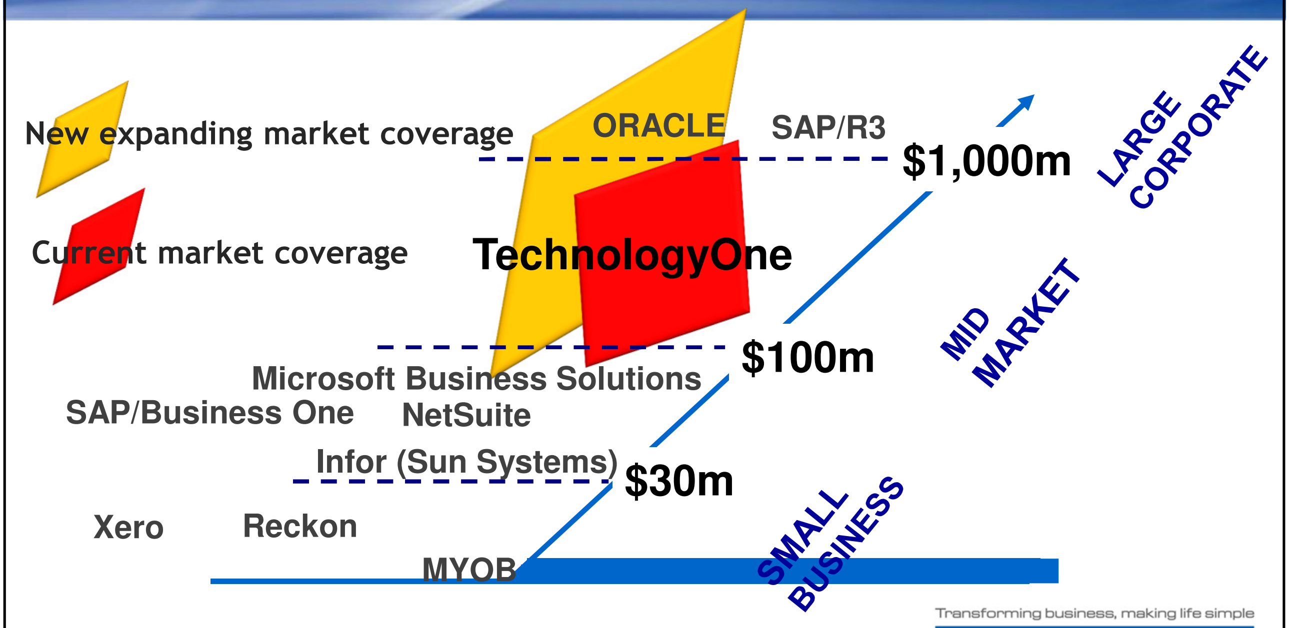

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What makes us unique ...

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We are one of only a few Enterprise Vendors globally...

- ✓ Single supplier of a suite of 12 products
- ✓ Best of Breed functionality
- ✓ Deeply integrated
- ✓ Common platform
- ✓ Consistent user interface
- ✓ Embraces new & emerging technologies

The power of a single, integrated, enterprise system to streamline your business, reduce costs and embrace new technologies

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What makes us unique ...

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We focus on seven key markets...

- ✓ Deep understanding and engagement in our markets
- ✓ Deeply integrated preconfigured solutions
- ✓ Proven practice
- ✓ Streamlined implementations
- ✓ Reduce time, cost and risk

Market focus and commitment

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What makes us unique ...

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We do not use implementation partners or resellers

We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solution for each customer to guarantee long term success.

The Power of One

One vision. One vendor. One experience.

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What makes us unique ...

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The power of evolution

Our enterprise solution adapts and evolves to new technologies

✓**99% of customers have continued with us through this journey ...**

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Our Vision

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Clear & focused vision ...

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Robust Revenue Model

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Robust Revenue Model ...

- **Initial Licence - based on usage (number of users)**
  - Matrix of licensable products & modules (approx 300 modules over 12 products)
  - Once off fee – invoiced on contract signing
- **Implementation Services - fee for service**
  - $1 Services : $1 Initial licence
  - Once off fee – invoiced as services rendered
- **Annual Licence Fee**
  - 22.5% of Initial Licence
  - Re-occurring every year

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Robust Revenue Model

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Initial Buy
-Based on: No of Users, Products & Modules

Initial Licence → Implementation Service → Annual Licence → Annual Licence → Annual Licence ....

Buy Addn Users
- Additional Fee

Initial Licence → Annual Licence → Annual Licence → Annual Licence ....

Buy Addn Modules
- Additional Fee

Initial Licence → Implementation Service → Annual Licence → Annual Licence ....

Buy Addn Products**
- Additional Fee

Initial Licence → Implementation Service → Annual Licence → Annual Licence ....

** On average our customers have 3.5 products out of a product range of 12 products

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TechnologyOne Overview

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Diversity of revenue streams from multiple:

- Products (12)
- Vertical markets (7)
- Geographies (12)
  - All states of Australia, New Zealand, South Pacific, Asia and UK

Strong, very loyal blue chip customer base

- We provide a mission critical solution – 'sticky customer base'
- 60+% of our revenues generated from existing customers each year
  - Annual licences, increase usage, new modules, new products, ongoing services etc..

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TechnologyOne Overview

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- One of Australia's largest software houses, specialising in the research, development and commercialisation of enterprise software – invest $35+m in R&D per year
- Connected Intelligence (Ci) is our current generation enterprise suite
- Next generation of our enterprise suite, Ci Anywhere is now released
- TechnologyOne Cloud is now available
- Diversity of revenue streams from…
  - Multiple geographies, 12 products , Seven vertical markets

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Historical Performance

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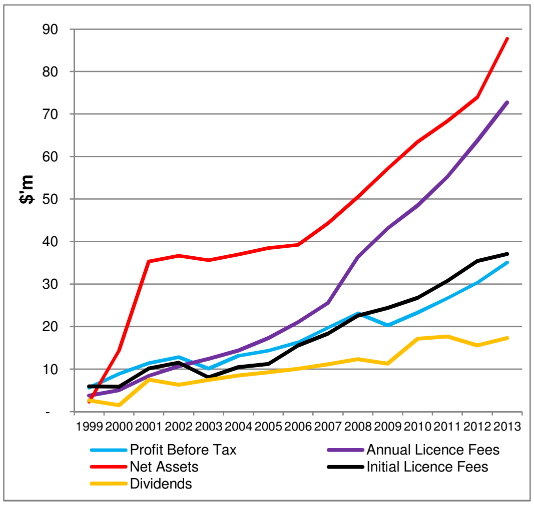
Key metrics over last 15 years …

- ✓ Revenue - 17% per annum compound
  - Even through the Dot-Com and GFC
- ✓ Initial Licence Fees - 14% per annum compound
- ✓ Annual Licence Fees - 24% per annum compound
- ✓ Profit Before Tax - 14% per annum compound
- ✓ Dividends - 14% per annum compound
- ✓ Net Assets - 30% per annum compound



Doubling in size every 4 years for last 15 years

Transforming business, making life simple

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